Exhibit 5

αβ

UBS Investment Research

Doral Financial

Global Equity Research

Americas

Diversified Financial

Rating	Suspended
	-
Price target	-
	-
Price	US$22.55

RIC: DRL.N BBG: DRL US

23 March 2005

After The Storm: "Cash Based" EPS Indicates Attractive Valuation

- **Current valuation attractive; I/O strips do have some value.**

If zero value is given to noncash gains/losses from Doral's I/O strips, MSR's and related hedges, "cash based" EPS in '05 and '06 would be $2.38 and $2.83 respectively. This implies a current stock price of $25 using a historic 10.5 P/E. Our prior research indicates that Doral's I/O strips do have some value, implying future upside.

- **2004 10-K reveals increased business risks**

We believe DRL's stock recently sold off sharply due to concerns about 1) sustainability of I/O assumptions 2) interest rate sensitivity 3) slowing loan origination 4) underhedging of the I/O strips and 5) -ve EPS impact from new local tax legislation. Conversations with management indicate they are taking steps to address these issues, including possible sale of the I/O strips.

- **Successful hedging program key to managing earnings downside**

We believe the key to managing increased I/O and interest risk exposure at Doral will be a successful hedging program. We believe Doral was underhedged in 2004, and expect $75- $100m in charges as the company adjusts its hedging positions.

- **Valuation: Maintain Buy 2 rating; $30 12-month price target**

Our new price target is based on a historical 10.5 P/E on cash-based 2006E EPS of $2.83. We believe Doral can grow annual cash-based EPS by 10+% in '05 and '06 due to our expectations of continued strength in the Puerto

Highlights (US$m)	12/02	12/03	12/04E	12/05E	
Revenues	407,815	593,252	716,282	941,045	1,
Pre-tax profits	260,976	393,365	501,723	660,887	
Net income	207,238	300,211	456,325	528,454	
EPS (UBS, US$)	1.26	2.72	3.95	4.55	
Net DPS (US$)	0.19	0.40	0.55	0.60	

Profitability & Valuation	5-yr hist. av.	12/03	12/04E	12/05E
ROE %	-	32.7	37.7	32.4
P/Op x	-	-	-	-
P/BVPS x	3.9	1.9	1.4	1.1
PE (UBS) x	22.0	10.2	5.7	5.0
Net dividend yield %	0.9	1.4	2.4	2.7

Source: Company accounts, Thomson Financial, UBS estimates. UBS adjusted EPS is stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement.
Valuations: based on an average share price that year, (E): based on a share price of US$22.55 on 22 Mar 2005 19:36 EST

Trading data	
52-wk. range	US$49.45-21.5
Market cap.	US$2.43b
Shares o/s	108r
Free float	79?
Avg. daily volume ('000)	1,75
Avg. daily value (US$m)	60.

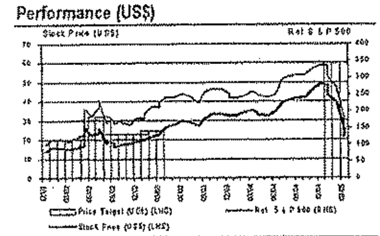
Balance sheet data 12/04E	
Shareholders' equity	
P/BV (UBS)	
Tier one capital ratio	

Forecast returns	
Forecast price appreciation	
Forecast dividend yield	
Forecast stock return	
Market return assumption	8.8?
Forecast excess return	

EPS (UBS, US$)

	12/04E		12/0
	UBS	Cons.	Actua
Q1	0.86	0.86	0.4
Q2	0.96	0.96	0.4
Q3	0.97	1.01	0.4
Q4E	1.22	1.22	0.7
12/04E	3.95	4.05	
12/05E	4.55	3.68	

Performance (US$)



Source: UBS

www.ubs.com/investmentresearch

Omotayo Okusanya, II, CFA
omotayo.okusanya@ubs.com
+1-212-713-1864

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 18

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GOVERNMENT EXHIBIT 1523
08 Cr. 181 (TPG) (ID)

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Maintain Buy 2 Rating, But Reducing Price Target To $30

Doral released its eagerly awaited 10-K report after market close on March 15th, 2005. We applaud the company for the improvement in overall disclosures, but believe that the new disclosures raised several new questions about the company's business model.. Unfortunately, we do not believe the conference call held on March 17th helped alleviate investor concerns. As a result, the stock has lost about 45% of its value since the release of the 10-K. We believe that the main investor concerns about the company are 1) the sustainability of I/O assumptions 2) potential for more I/O write-downs; 3) overall interest rate sensitivity 4) slowing loan origination; and 5) potential negative EPS impact from new local tax legislation

Current stock price gives no value to interest only strips

We believe that Doral's stock should be trading close to $25, based on Doral's cash based EPS. By cash based EPS, we mean Doral's reported EPS excluding all non-cash gains/losses from I/O strips, mortgage-servicing rights (MSRs) and related hedges. Cash based EPS ensures that no value is accorded the large gain on sales margins recorded by the company due to the large valuations for its I/O strips. From our calculations, Doral's cash based EPS in '04, '05 and '06 would be $2.20, $2.38 and $2.83 respectively. Our expectations of a $25 current stock price is based on Doral's historic 10.5 forward PE on 2005 cash based EPS of $2.38.

From our report issued on March 9th, 2005 entitled *"After Digging Into Issue , Reiterating our Buy 2 Rating"*, we showed that Doral's I/O valuations as at 3Q04 could probably be supported in the MBS market, once adjustments are made for the lower prepayment speed generally experienced in Puerto Rico, and a lower discount rate due to the solid credit quality of mortgage loans on the island. We therefore believe that the company's gain on sale business model does have some value. The current confusion in the market is how much value to accord to this business model. We expect that the market will continue to give zero value to Doral's gain on sale business model until management can provide clear evidence that the company's I/O strips are fairly valued. We believe management can only achieve this by 1) providing more transparency into the assumptions used internally by the company to value its I/O strips 2) providing transparency into the external valuations done by independent third parties on the I/O strips or 3) selling some or all of the I/O strips in the MBS market to establish a market price.

Until more transparency is available into the company's I/O valuation (which will determine gain on sale margins going forward), we are valuing Doral based on our cash based EPS model. Our $30 12- month target price is based on historical 10.5x forward EPS on 2006E cash based EPS of $2.83. We maintain

our Buy 2 Rating. We believe that one of the key factors to significant share appreciation will be management's ability to restore investor confidence in its business. The other potential overhang on Doral's stock would be concerns about regulatory actions should the I/O strips be deemed as overvalued due to unsustainable valuation assumptions, even if such assumptions may have been made in good faith. We expect the process of restoring investor credibility will be a gradual process and will require a significant improvement in investor relations at Doral. However, given our belief that the market is currently undervaluing Doral's gain on sale business model (specifically the I/O strips), we believe the potential for significant upside makes Doral's stock an attractive holding at current prices. In addition, at current prices, the stock is offering an attractive 3% dividend yield.

Potential Positive Catalysts

Given current market sentiment about Doral's gain on sale business model, we believe that key catalysts for the stock would include more transparency on the I/O valuation assumptions, better guidance from management on 2005 earnings, and a signal from management that the stock may currently be undervalued. We met with management on March 29th, and believe that management is actively considering the following plans of action:

A sale of some portion of the I/O portfolio: Such a sale would serve as a clear indication that the I/O strips have value in the MBS market.

More transparency on I/O valuation methodologies: We believe management is looking into providing more detail on the I/O valuation assumptions used by the company in their internal valuation model, as well as valuations provided by external parties. We believe more transparency would go a long way to show that the I/O strips do have value.

Initiating a stock repurchase program: We believe that management is taking this suggestion more seriously in light of the recent sell-off. We note that management currently has a 20% stake in the company.

Chart 1: "Cash Based" EPS Analysis

	2004	2005	2006
Net Interest Income	265898	304467	399098
Less Income From I/O	55568	57642	64759
"Cash Based" Net Interest Income	210330	246825	334339
Non-interest income	450384	541072	652596
Less Gain On Sale	598762	534945	582263
Less Hedging Related Losses	200607	53947	1875
Less MSR Income	4893	11353	17088
"Cash Based" Non Interest Income	47336	48722	55120
Nonconforming Loans - Beginning Balance	4624000	7000000	9308342
Nonconforming Loans - Ending Balance	7000000	9308342	11266244
Nonconforming Loans - Average Balance	5812000	8154171	10287293
Expected Avg LIBOR Rate	1.85%	3.28%	4.00%
Expected WAC	7.5%	7.86%	8.12%
Spread on nonconforming loan sale	4.65%	3.58%	3.22%
Income from nonconforming loan sales	270258	291546	330888
Total revenue	527924	587092	720347
Operating Expenses	209052	251601	316232
Pre-Tax Earnings	318872	335492	404115
Tax rate	17.5%	15.0%	16.0%
After Tax Earnings	263071	285168	339457
Cash Based EPS	$ 2.20	$ 2.38	$ 2.83

Source: UBS

2004 10-K Review

Increased Business Risks Exposed in 10-K

Following our review of the 2004 10-K and subsequent conference call held by management on March 17th, we believe that the main areas of concern regarding Doral's business are as follows:

Sustainability of I/O assumptions;

Potential for more I/O write-downs;

Interest rate sensitivity;

Slowing loan origination; and

Potential negative EPS impact from new local tax legislation.

Sustainability of I/O Assumptions

Valuation Assumptions Even Lower in Q404

Doral once again reduced the value of key assumptions used to calculate the value of its I/O strips. Specifically,

The prepayment speed assumption was reduced to 7.20% in 4Q04, from 10.5% in 3Q04.

The discount rate was reduced to 7.6% in 4Q04, from 8.25% in 3Q04.

Lower Assumptions in 4Q04 Not Unique To Doral

The reduction in these two assumptions increases Doral's I/O valuations, which further heightened investor concern about Doral's I/O valuation. However, we offer the following points of reference as to why these changes in assumptions could be warranted.

As a resulting of rising rates, actual prepayment speeds experienced by the underlying principal balances that support I/O valuations in the MBS market did decline between Q3 and Q4 2004. We calculated average prepayment speed of a sample of traded I/O strips in Q304 and Q404, and found prepayment speeds came down on average by 16%.

Chart 2: Average Prepayment Speed for I/O Strips 3Q04 vs. 4Q04

I/O Strip	Average Prepayment Speed - 3Q04	Average Prepayment Speed 4Q04	Increase/ (Decrease) in Prepayment Speeds
FNS 222	35.06	24.92	-29%
FHS 205	42.1	38.0	-10%
FNS 240	35.64	26.9	-25%
FHS 177	35.64	31.64	-11%
FNS 320	44.66	42.2	-6%
FHS 221	45.22	37.42	-17%
Average			**-16%**
Doral	10.5	7.20	-31%

Source: Bloomberg

We looked through the 2004 10-K disclosure of other banks that are involved in loan securitization, and found that there was downward revision in prepayment speed and discount rate assumptions, which should also have increased I/O valuations at these banks in 2004.

Chart 3: Assumptions Used To value Residual Interests : 2004 vs. 2003

	2003 Discount Rate	2004 Discount Rate	2003 Prepayment Rate	2004 Prepayment Rate	Comments
Bank of America	15 - 30%	15-30%	8 - 42%	7.5-32.7%	(a)
Wells Fargo	12%	10%	18%	15%	(b)
Washington Mutual	3% - 6%	4.30%	42 - 51%	30.50%	
Countrywide	20%	18%	31%	35%	
Wachovia	11%	11%	45%	41%	
SunTrust	10%	10%	16%	15%	
Cendant Mortgage Corp	5 - 15%	7%	7% - 25%	10-24%	
Doral Financial	9%	6%	18%	7%	

Source: Company reports

Comments: (a) For entire commercial finance portfolio (ex credit cards) (b) Aggregate for residential mortgage, commercial real estate, student loan, and autos.

Management Efforts To Lower Prepayment Speeds Likely A Contributing Factor

Although banks generally lowered prepayment speed and discount rate assumptions in 2004 versus 2003, the change in I/O valuation assumptions does appear high at Doral. We estimate that Doral would have had to take an additional $60 million I/O writedown in Q404 if management had maintained Q304 prepayment speed and discount rate assumptions at year-end. This would have reduced gain on sale margins to about 650 bps in 2004, from our estimate of roughly 750 bps.

We believe the following statement in the 10-K provides some insight into why assumptions had a more significant change at Doral than at U.S. banks.

"The difference in prepayment speeds (for MSR valuation versus I/O valuation) is primarily due to prepayment penalties associated exclusively to non-conforming loans (the sale of which generate the I/O strips). Other activities that help reduce prepayments for nonconforming loans include the adoption of special internal measures such as loan modifications that reduce borrowers' monthly payments by extending the terms of the loans and granting second mortgages in lieu of refinancing cash-outs".

From the above statement, it appears to us that management has been actively trying to reduce prepayment risk on non-conforming loans in 2004, and that these initiatives could have resulted in prepayment speeds coming down even faster at Doral than at other banks. We note that prepayment penalties at Doral tend to be much more stringent than in the United States which could also be contributing to the lower prepayment speed. For example, nonconforming loans are not allowed to prepay for the first five years. This is versus a 2-3 year lockout period in the United States. At Doral, prepayment penalties are also as high as 5% of the outstanding loan balance, versus in the U.S. where the penalty is typically 1-2% of the outstanding loan balance.

Current Practices Increases Business Risk, And May Be Unsustainable Long Term, Given Increasing Competition

Although Doral's current business practices may lower prepayment speeds and increase I/O valuations, it does increase some other business risks, which may be unquantifiable, but are indeed real.

Modifying contract terms to extend the life of the mortgage increases the duration of fixed rate assets, and results in the balance sheet being more liability sensitive. This increases interest rate risk.

Extension of the life of the nonconforming loan also results in larger outstanding balances at any given point in time. This increases credit risk if the loan should default.

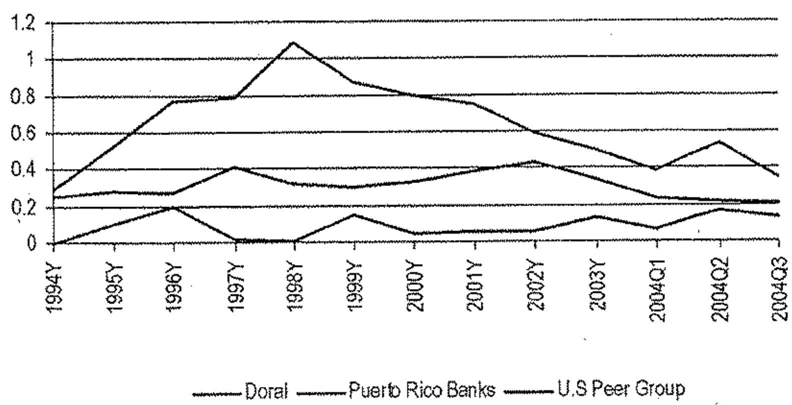
We believe that Doral's strategy to reduce prepayment speed is probably sustainable in the near-term, given that the company has about 60% market share in the nonconforming loan origination market. We however recently learned that two local banks (First Bancorp and BBVA) entered the mortgage market in the past six months. We believe that the total market share of these two new entrants is less than 2%. These two new entrants could try to compete on price to gain market share, which could negatively impact Doral's gain on sale margins, prepayment speeds and loan origination growth in the long-term.

We Do Not Believe Doral Will Be Another "Gain On Sale Gone Bust" Story

Doral has been strengthening its underwriting requirements. These nonconforming loans, which generate the company's I/O strips, have low balances (typically $60,000 to $80,000), a loan to value ratio of 60 – 70%, with the mortgage holder having an average FICO score of 680. We do not see any evidence that there has been a movement towards sub prime lending in order to generate larger gain on sale margins, and in fact note that charge-off ratios at Doral have actually been improving over the past decade. We mention the above point to address concerns about if Doral has been increasing gain on sale margins by taking on higher risk, higher interest, but lower credit quality loans.

We are comfortable with the notion that credit quality is not being sacrificed for increasing gain on sale margins, and that Doral's business is not built on the same flawed premise as other failed mortgage originators such as Superior Bank and Keystone Bank, both of which had high gain on sale margins, but ultimately collapsed once interest rates rose and credit subsequently worsened in their large subprime businesses.

Chart 4: Net Charge-Off Rates: Doral Vs. Local and U.S Peer Groups

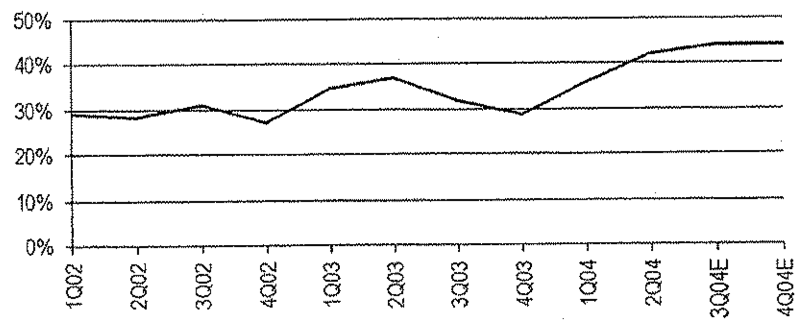


Source: SNL. U.S Peer Group used is 60 regional banks and thrifts with market caps between $1 - $6 billion.

We note that although I/O strips as a percentage of Doral's shareholder equity is at a company high of 42%, it is still at manageable levels compared to Superior Bank, which maintained a ratio greater than 100% since it began to grow its mortgage business in 1995, and eventually collapsed in 2001 with a ratio of 2,042%. We mention this point because I/O strips typically bear first loss risk in securitization transactions. In simple terms, a total I/O to total shareholder's equity ratio in excess of 100% means that while equity holders agree to absorb first risk loss of $1 by investing in a bank, the bank itself is on the hook for a first loss risk greater than $1 through the securitization. We currently are not overly concerned that Doral may be taking on too much risk

through its loan securitizations, especially given strong asset quality levels within the mortgage market in Puerto Rico.

Chart 5: Doral - I/O Strips As A Percentage Of Shareholder's Equity



Source: Company reports

Potential For More I/O Write-downs

Doral disclosed in its 10-K that a 25 bps increase in LIBOR rates would cause a $69 million impairment to its I/O strips, and that a 200 bps increase in LIBOR would cause a $542 million impairment.

Chart 6: Impact of rising rates on I/O valuations

Increase in 3-month LIBOR (basis points)	25	50	100	200
Change in Fair Value of IO Strips ($ mil)	-70	-139	-275	-542

Source: Company reports

These amounts are significantly above our expectations as at 3Q04, and are also a significant contributor to investor anxiety about the company's I/O strips.

We believe that the following statement from the 10-K provides insight into why the potential for I/O write-downs are much larger then we previously anticipated.

"Generally, the loans sold (which generates the I/O strips) are subject to interest rate caps set at or below the weighted-average coupon (less the servicing fee) on the pools of loans and **to a lesser extent based on a spread above the initial contractual pass-through rate at the time of sale,** which does not exceed the weighted-average coupon (WAC) on the loans".

It thus appears that most of the caps on the spread earned from the sale of nonconforming loans are set closer to the WAC (or average mortgage rate) on

the loans underlying the I/O strips, rather than a spread above the initial contractual pass-through rate at the time of sale (typically around 250 bps). This has the effect of not fully protecting the company's I/O strips from impairment until LIBOR rates are closer to about 7.0%, rather than our previous estimate of 4.0%. Our previous estimate was based on a 250 bps spread above our estimate of the average LIBOR rate at which most of the nonconforming loans underlying the I/O strips were originated. For more details, please refer to out report from March 9th, 2005 entitled "*After Digging Into Issues, Reiterating our Buy 2 Rating*".

We believe that management has realized the potential exposure the I/O strips have to continued increases in LIBOR. We estimate that the company needs to be long put options on about $26 million in notional value of Eurodollar deposits to be properly hedged against continued writedowns of $878 million in I/O strips as at Q4 2004. Per management, put options on over $25 million in notional value of Eurodollar deposits was added in 1Q 2005 to hedge the I/O strips. We estimate that the total value of I/O strips however grew another $50 million in Q1 2005, and that Doral may experience about $75- $100 million in I/O related charges in 2005 as it continues to attempt to properly hedge its I/O strips. We expect that some of this charge will be partially offset by some success in hedging this risk.

Interest Rate Sensitivity

Doral More Liability Sensitive In 4Q04

Another major change we noted in the 2004 10-K is the bank's new interest rate sensitivity disclosure. Per the 10-K disclosure, a 200 bps linear increase in the yield curve as at Q4 2004 would decrease Doral's net interest income by 17% over the next one year. This new disclosure is very different from the 3Q 2004 disclosure, when the bank claimed that the same 200 bps linear increase in interest rates would increase Doral's net interest income by 4.8%. We believe that this change in interest rate sensitivity is driven by three key factors:

Doral's forecast of the impact of rising rates to net interest income is done using the shape of the yield curve at the end of the reporting period. As the yield curve flattened by about 50 bps between 3Q04 and 4Q04, we believe projections based off a flatter curve in 4Q04 vs. 3Q04 contributed about 5% of the 20+% swing in asset sensitivity assumptions between 3Q04 and 4Q04. (i.e. the swing to 17% negative impact on NII due to a 200 bps linear increase in 4Q04, from a 5% positive NII impact in 3Q04)

We also believe that the company's negative funding gap increased to about $5.0 billion from $4.0 billion in 3Q04. This increase was primarily driven by a 20% q/q annualized increase in fixed rate securities, and 28% q/q annualized increase in short-term repo funding. Our interest model indicates that this change in the company's funding gap accounts for about 6% of the 20+% swing in asset sensitivity assumptions between 3Q04 and 4Q04.

In order to improve the company's interest rate risk modeling capabilities, Doral made significant enhancements to its modeling program during the fourth quarter of 2004. One of the most significant improvements in the model is that the mortgage loan and mortgage-backed securities portfolios are now segregated by product type, coupon and maturity, and the effect of changes in interest rate is applied to each group separately. The previous model considered these portfolios using a single instrument approach. We believe the changes under the new approach capture sensitivity better than the previous model. In addition, certain of the company's liabilities are callable at the option of the lender. The new model utilizes an option-adjusted spread methodology to enhance its ability to estimate the probability the call will be exercised. The previous model used a static approach to estimate such probability. Under a rising rate scenario, a higher proportion of liabilities are pre-paid and hence re-priced at higher rates with the new model.

In our March 9th report entitled *"After Digging Into Issue, Reiterating our Buy 2 Rating"*, we alluded to the fact that Doral's balance sheet is indeed liability sensitive, and that he company could experience a reduction in net interest margins as rates continue to rise. We maintain our prior conclusion that earnings do not appear to be significantly at risk, given the large derivatives position the company maintains to hedge this risk. However, given that Doral became more liability sensitive in Q4, our interest rate model indicates that 2005 net interest margins will most likely average around 200 bps, lower than our previous estimate of 210 bps. This impacts our prior 2005E EPS of $4.55 and prior 2006EPS of $5.44 by $0.08 and $0.13 respectively.

Slowing Loan Growth

Although Doral originated a record $2.0 billion worth of loans in Q4 2004 (up 2% q/q), our analysis indicates the growth was driven by originations in the U.S (up 17% q/q) versus in Puerto Rico (down 5% q/q). In Puerto Rico, our analysis also indicates that growth in nonconforming loans (which generates Doral's high gain on sale margin) slowed in 4Q04 by about 12% on a quarter over quarter basis).

We suspect that the slowdown in origination growth at Doral's Puerto Rican operations is partially due to seasonality (previous 4Q results have shown similar downtrends), as well as a stronger than average hurricane season in 2004. However, we believe the slow down is also related to rising interest rates, and increased local competition. As a result, we are reducing our 2005 and 2006 loan growth assumptions to 6% from 12%. This impacts our prior 2005E EPS of $4.55 and prior 2006EPS of $5.44 by $0.12 and $0.20 respectively.

Chart 7: Doral – Loan Origination Trends

	U.S Origination	U.S Origination Q/Q Growth	Puerto Rico Origination	Puerto Rico Origination Q/Q Growth	Total Loan Origination	Nonconforming Loan Origination	Nonconforming Loans Origination Q/Q Growth
1Q02	309,469		880,796		1,190,265	370,982	
2Q02	325,391	5%	926,111	5%	1,251,502	454,998	22%
3Q02	372,194	14%	957,069	3%	1,329,263	523,631	15%
4Q02	419,255	13%	978,286	2%	1,397,551	110,482	-79%
1Q03	408,956	-2%	1,051,600	7%	1,460,556	562,359	409%
2Q03	433,614	6%	1,172,364	11%	1,605,978	606,850	8%
3Q03	437,060	1%	1,243,939	6%	1,680,999	512,491	-16%
4Q03	450,130	3%	1,281,139	3%	1,731,269	659,173	29%
1Q04	515,598	15%	1,325,823	3%	1,841,421	606,853	-8%
2Q04	603,050	17%	1,342,274	1%	1,945,324	756,186	25%
3Q04	635,365	5%	1,350,150	1%	1,985,515	789,123	4%
4Q04	742,849	17%	1,287,585	-5%	2,030,434	696,921	-12%

Source: Company Reports

Potential Negative Impact From New Tax legislation

The governor of Puerto Rico proposed new tax legislation on March 15th, 2005, which could result in an increase in Doral's tax rates. The new proposal is part of the governor's overall efforts to reduce the budget deficit. Specifics of the proposed legislation include raising approximately $180 million from financial institutions though a special 5% tax on the net interest income (NII) of these institutions for the next two years until a more permanent change is made to Puerto Rico's tax code. There is still uncertainty as to the tax rate on NII, as the treasury secretary has subsequently said the final rate would most likely be about half of the current proposal. For our earnings estimates, we have assumed a 5% rate, which results in $0.10 and $0.16 impact to our previous 2005E and 2006E EPS estimates.

Hedging Key To Achieving 2005 EPS

Given the increased exposure to interest rate from the I/O strips, as well as increased negative funding gap, we believe that it is absolutely critical for Doral to be properly hedged against the potential impact of rising rates on earnings.

As mentioned earlier, based on the new 10-K disclosure on derivatives transactions, it appears to us that Doral may have been underhedged against the potential impact of rising rates on the I/O strips. We estimate that the company needed to be long put options on about $26 million in notional value of Eurodollar deposits to be properly hedged against continued write-downs of $878 million in I/O strips as at Q4 2004. The bank however only hedges worth $4.0 million in notional value as at Q4 2004.

Per management, put options on over $25 million in notional value of Eurodollar deposits was added in 1Q 2005 to hedge the I/O strips. We estimate that the total value of I/O strips however grew another $50 million in Q1 2005, and believe that Doral may experience about $75- $100 million in I/O related charges in 2005 as it continues to attempt to properly hedge its I/O strips. We expect that some of this charge will be partially offset by some success in hedging this risk. There are also interest rate caps and collars that should provide some protection for the I/O strips should LIBOR rates rise more than anticipated (i.e. above 5.0%).

Our quick thoughts on the company's other major hedging positions

Long puts on interest rate futures contracts totaling $2.4 billion in notional value serves as a hedge for $5.0 billion in available for sale securities. We believe that this is reasonable, given our belief that the likelihood of selling a large portion of the securities portfolio is low. We believe Doral is more likely to deploy some of its $2.5 billion cash and money markets balance into higher yielding assets to take advantage of rising rates.

Long puts on bonds and MBS totaling $1.6 billion in notional value, as well as a short futures position totaling $320 million in notional value of U.S treasuries and notes, serves as hedges for $2.1 billion in held to maturity securities. It is our understanding that the duration of the fixed income securities that serve as the underlying instrument for the put options and futures contracts is similar to the duration of Doral's held to maturity securities portfolio.

The company maintains a net pay fixed position of about $9.3 billion in notional value to hedge its funding costs – mainly $6.3 million in repos, $1.3 million in brokered CD's and $1.3 million in federal home loan advances. The net pay fixed position consists of $700 million in pay fixed swaps, put

options on $1.5 billion in notional value of Eurodollar deposits, and a short futures position on $7.1 billion in notional value of Eurodollar deposits. We believe that the futures contracts have short durations (typically 90 days till delivery), which matches up fairly well with the duration of the company's repos, which generally reprice every quarter.

Strong Housing Fundamentals Should Drive Earnings

While the newly proposed tax regulation and increased local competition reduce our overall bullishness on fundamentals in the Puerto Rican banks sector, we continue to believe that the strong housing market which has historically driven Doral's superior earnings growth and stock appreciation should remain in place in 2005.

New home sales in Q4 2004 were up 20% to 3,109 units from 2,592 units in Q4 2003. Geographically, the largest sales increases were seen in the San Juan metro area. We are thus comfortable with the notion that the housing boom is San Juan is not yet slowing, despite the fact that almost 50% of the population lives in this metro area.

We estimate that new home prices increased to $190,000 in Q4 2004, a 22% increase versus Q4 2003. Across the board growth in the major housing categories indicate that home price increases is broad based. We believe that home price appreciation is a key driver for continued strength in the residential construction and residential mortgage market.

Our proprietary Puerto Rican Housing Affordability Index (PRHAI) increased by 6 pts to 90 in Q4 2004, versus 84 in Q3 2004. While affordability is still at historical lows, we believe current levels are still well above the critical mark where we would be concerned about a housing price correction.

Unemployment remained steady around 11% in January, 2005

Valuation

Reducing 2005E and 2006E EPS to $4.00 and $5.00 respectively

We are reducing our 2005E EPS to $4.00 from $4.55, and out 2006E EPS to $4.95 from $5.44. Our reduction is based on

- Reduction in net interest margins as the company became more liability sensitive in Q404. This has $0.08 impact on 2005E EPS and $0.13 impact on 2006E EPS.

- Reduction in our loan origination growth assumptions from 12% annual growth to 6% annual growth. This has a $0.12 impact on 2005E EPS and $.20 impact on 2006E EPS.

- Increase in tax rates to reflect the newly proposed tax legislation. This has a $0.10 impact on 2005E EPS and $0.16 impact on 2006 EPS.

- Reduction of our 2005E EPS by $0.25 to reflect the potential for continued losses on I/O strips. We currently estimate a loss of between $75 million to $100 million (partially offset by the company's hedging program) as LIBOR rates continue to rise.

Chart 8: 2005E and 2006E EPS Revisions

		2005		2006
Previous EPS Estimate	$	4.55	$	5.44
Increased Rate Sensitivity	$	(0.08)	$	(0.13)
Slower Loan Growth	$	(0.12)	$	(0.20)
Proposed Tax Legislation	$	(0.10)	$	(0.16)
I/O Writedowns (net of hedges)	$	(0.25)	$	-
New EPS Estimates	$	4.00	$	4.95

Source: UBS

We also performed an analysis of hypothetical 2005 earning for Doral, at different valuation levels for the company's I/O strips. We believe the table below shows how critical the value assigned to the I/O strips is to determining 2005E EPS, and the valuation of the company's stock.

Chart 9: 2005E EPS At Different I/O Valuation Levels

2004 - Total Gain On Sale Margins	306	350	400	500	600	700	730
2004 - Total Gain On Sale	250756	287000	328000	410000	492000	574000	598762
2004 - Gain On Sale From Nonconforming Loans	165247	200227	239798	318939	398080	477221	501120
2004 - Implied Fair Value of I/O Strips	0	82187	177516	376086	585956	808118	877787
2005 - Net Interest Income	412401	401443	388733	362257	334274	304652	295363
2005- Total Gain On Sale Margins (Lower Than '04 Due To Flatter Curve)	201	245	295	395	495	595	625
2005 - Total Gain On Sale	171764	209596	252391	337983	423574	509165	535011
2005 - Non Interest Income	177892	215723	258518	344110	429701	515292	541139
2005 - Total Revenue	590293	617166	647251	706366	763975	819945	836502
2005- Operating Expense	251601	251601	251601	251601	251601	251601	251601
2005 - Pre-Tax Earnings	338692	365565	395650	454766	512374	568344	584901
2005 - After Tax Earnings	287888	310731	336303	386551	435518	483092	497166
2005 - Dividends On Preferred Stock	33300	33300	33300	33300	33300	33300	33300
2005 - Impact of Coco's	-16388	-16388	-16388	-16388	-16388	-16388	-16388
2005 - EPS	$ 2.26	$ 2.45	$ 2.67	$ 3.09	$ 3.50	$ 3.89	$ 4.01

Source: UBS. Analysis based off hypothetical valuations of the I/O strips as at 12/31/04, which we then adjust to reflect a flatter yield curve in 2005.

Reducing Price Target To $30, Maintain Buy 2 Rating

Given the current negative market sentiment regarding gain on sale accounting, we believe that the market will continue to give zero value to Doral's gain on sale business model until management can provide clear evidence that the company's I/O strips are fairly valued. Our expectations are that the market will ascribe a fair value to the I/O strips if 1) management provides more transparency into the assumptions used internally by the company to value its I/O strips 2) management provides transparency into the external valuations done by independent third parties on the I/O strips or 3) management sells some or all of the I/O strips in the MBS market to establish a market price.

Until more transparency is available into the company's I/O valuation (which will determine how much value to give gain on sales going forward), we are valuing Doral based on our cash based EPS model. Our $30 12- month target price is based on historical 10.5x forward EPS on 2006E cash based EPS of $2.83. We maintain our Buy 2 Rating.

While we expect the establishment of an independent valuation of Doral's I/O strips to serve as a catalyst for he stock, we do believe that there is the real possibility that the company's stock could face multiple compression giving the challenging interest rate environment. We do not expect Doral to switch its business model from gain on sale to a whole loan sale model anytime soon. This is because a whole loan sale model limits the ability to sell loans to the local commercial banks at a variable pass through rate. Local commercial banks make up about 45% of the buyers of Doral's loans, and require a variable pass through rate for their asset-liability matching requirements. Most of these banks are funded short, and thus desire variable rate assets on their balance sheets. Doral would thus lose a very large and important part of its seller base, if it

converted to a wholesale loan model. It is also unclear at this point how easy it would be to sell Doral's nonconforming loans to GNMA and the GSE's.

Given our belief that the company will stick to its gain on sale business, we would not be surprised to see Doral's P/E multiple contract to about a 9.0x PE on current year earnings, once a valuation is ascribed to the I/O strips. This multiple would be in a similar range to Countrywide Financial, one of the market leaders in the Alt-A mortgage origination market in the U.S. (most of Doral's nonconforming loans are Alt-A).

Doral Financial

Doral Financial Corp. is a Puerto Rican bank that engages in a wide range of mortgage banking activities, including the origination, purchase, sale and servicing of mortgage loans on single-family residences, and operates bank branches in Puerto Rico and New York City.

Statement of Risk

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UBS Investment Research: Global Equity Ratings Definitions and Allocations

UBS rating	Definition	UBS rating	Definition	Rating category	Coverage[1]	IB services[2]
Buy 1	FSR is > 10% above the MRA, higher degree of predictability	Buy 2	FSR is > 10% above the MRA, lower degree of predictability	Buy	36%	32%
Neutral 1	FSR is between -10% and 10% of the MRA, higher degree of predictability	Neutral 2	FSR is between -10% and 10% of the MRA, lower degree of predictability	Hold/Neutral	53%	35%
Reduce 1	FSR is > 10% below the MRA, higher degree of predictability	Reduce 2	FSR is > 10% below the MRA, lower degree of predictability	Sell	11%	29%

1: Percentage of companies under coverage globally within this rating category.
2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS; as of 31 December 2004.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.
Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (an approximation of the equity risk premium).
Predictability Level The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.
Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.
Rating/Return Divergence (RRD) This qualifier is automatically appended to the rating when stock price movement has caused the prevailing rating to differ from that which would be assigned according to the rating system and will be removed when there is no longer a divergence, either through market movement or analyst intervention.

EXCEPTIONS AND SPECIAL CASES

US Closed-End Fund ratings and definitions are: Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.
UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.
Core Banding Exceptions (CBE): Exceptions to the standard +/-10% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned table in the relevant research piece.

Companies mentioned

Company Name	Reuters	Rating	Price
Doral Financial[2,4,16]	DRL.N	Suspended	US$22.55

Price(s) as of 22 March 2005. Source: UBS.

2. UBS AG, its affiliates or subsidiaries has acted as manager/co-manager in the underwriting or placement of securities of this company or one of its affiliates within the past 12 months.

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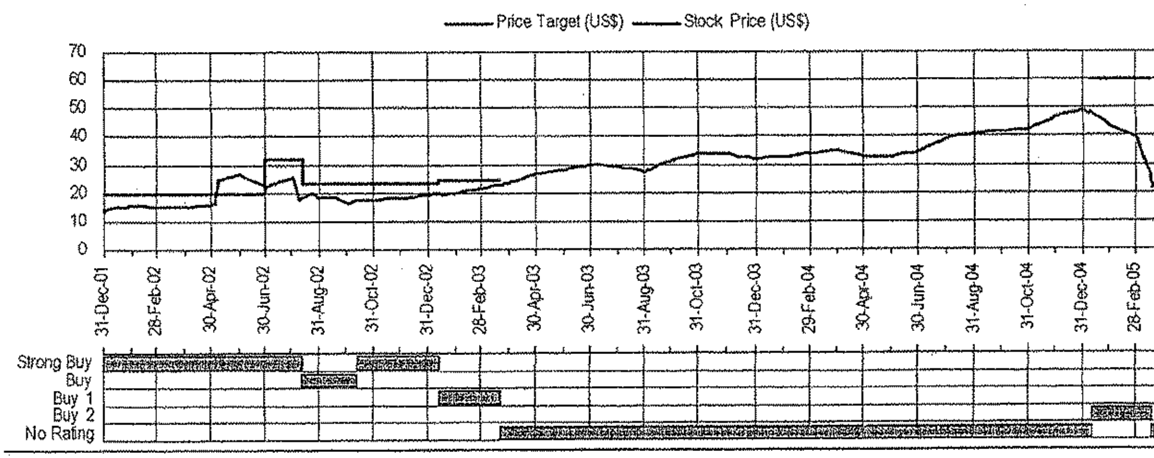
Doral Financial (US$)



Source: UBS; as of 22 March 2005.

Note: On October 13, 2003, UBS adopted new definition criteria for its rating system. (See 'UBS Investment Research: Global Equity Ratings Definitions and Allocations' table for details.) Between January 11 and October 12, 2003, the UBS ratings and their definitions were: Buy 1: Excess return potential > 15%, smaller range around price target; Buy 2: Excess return potential > 15%, larger range around price target; Neutral 1: Excess return potential between -15% and 15%, smaller range around price target; Neutral 2: Excess return potential between -15% and 15%, larger range around price target; Reduce 1: Excess return potential < -15%, smaller range around price target; Reduce 2: Excess return potential < -15%, larger range around price target. Prior to January 11, 2003, the UBS ratings and definitions were: Strong Buy: Greater than 20% excess return potential, high degree of confidence; Buy: Positive excess return potential; Hold: Low excess return potential, low degree of confidence; Reduce: Negative excess return potential; Sell: Greater than 20% negative excess return potential, high degree of confidence. Under both ratings systems, excess return is defined as the difference between the FSR and the one-year local market interest rate.

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Head Office: UBS Limited, 1 Finsbury Avenue, London, EC2M 2PP, UK Phone: +44-20-7567 8000

Local Office: UBS Securities LLC, 1285 Avenue of the Americas, New York, NY 10019 Phone: +1-212-713 2000

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